HIGHWAYS REVOLVING FUND

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2006

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Highways Revolving Fund as at March 31, 2006 and the statements of operations and accumulated operating surplus/deficit, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 20, 2006

Fred Wendel, CMA, CA
Provincial Auditor

HIGHWAYS REVOLVING FUND
BALANCE SHEET
As At March 31

	2006	2005
ASSETS		
Total Assets	$ -	$ -
LIABILITIES AND FUND EQUITY		
Liabilities:		
Total Liabilities	-	-
Fund equity:		
Accumulated operating surplus (Statement 2)	-	-
	$ -	$ -

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	2006	2005
Total revenue	$ -	$ -
Total expenses	-	-
Net income	-	-
Accumulated operating surplus, beginning of year	-	418,846
Transfer accumulated surplus to General Revenue Fund (Note 1)	-	(418,846)
Accumulated operating surplus, end of year - to Statement 1	$ -	$ -

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2006	2005
Financing required for (provided by) operating activities:		
Net income	$ -	$ -
Net change in working capital items related to operations	-	(4,122,766)
Net financing required for (provided by) operating activities	-	(4,122,766)
Financing required for investing activities:	-	-
Financing required for financing activities:	-	-
Net decrease in financing requirements	-	(4,122,766)
Accumulated net expenditure, beginning of year	-	3,703,920
Transfer of accumulated surplus to General Revenue Fund (Note 1)	-	418,846
Accumulated net expenditure, end of year - to Statement 1	$ -	$ -

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Authority and Definition of Reporting Entity

The authority for this Revolving Fund continues under Section 7 of *The Department of Highways and Transportation Act, 1997.* The purpose of the Revolving Fund is to provide a system of accounting that accumulates the costs of equipment, materials and labour used in the provision of construction and maintenance services. These costs are charged back to the Department and other parties on an equitable basis.

In January 2004, Treasury Board approved the transfer of the Revolving Fund's capital assets to the Department.

Effective April 1, 2004, the Department discontinued the use of the Revolving Fund. All remaining assets, liabilities and the accumulated surplus were transferred to the Department. All activities and capital acquisitions are now undertaken through the Department's appropriation. In addition, all custom work is now reported in the Department's appropriation in accordance with Section 13.1 of *The Financial Administration Act, 1993.*

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

i) working capital advanced by the Minister of Finance as at March 31, 1982 to the Revolving Fund;

ii) the net increase/(decrease) in financing requirements for each fiscal year thereafter; and

iii) the book value of assets acquired at no charge from another government agency.

3. Authorized Financing

Subsection 7(6) of *The Department of Highways and Transportation Act, 1997* specifies that the maximum amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of $65,000,000 was established in February 2002.

4. Revolving Fund's Operation

An amendment to *The Highways and Transportation Act, 1997* received royal assent on April 27, 2006 which effectively wound up the Revolving Fund. The amendment also required the preparation of the Revolving Fund's financial statements for the period from April 1, 2005 to the date the Revolving Fund is wound up. Because the Revolving Fund has been inactive since April 1, 2004 management does not consider it necessary to prepare the Revolving Fund's financial statements for the period from April 1, 2006 to April 27, 2006.